

Message Text

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S E C R E T CAIRO 3946

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E.O. 11652: GDS

TAGS: PFOR, ECON, EG

SUBJECT: PRESIDENT SADAT COMMENTS ON NEED FOR US

ECONOMIC HELP

REF: CAIRO 3935

SUMMARY. PRESIDENT SADAT AGAIN RAISED WITH ME TODAY HIS NEED FOR US ECONOMIC HELP TO OVERCOME EGYPT'S CURRENT SERIOUS ECONOMIC SITUATION, INCLUDING HIS LIQUIDITY PROBLEM. I TOLD HIM WE ARE ALREADY LOOKING INTO THIS AND THAT UNDERSECRETARY ROBINSON HAS BEEN CHARGED WITH DISCUSSING THE ENTIRE MATTER WITH OUR EGYPTIAN FRIENDS. WHILE THE UNDERSECRETARY'S SCHEDULED VISIT OF LAST WEEK HAD TO BE POSTPONED BECAUSE OF THE CONCURRENT CABINET CHANGE, I HAD RECOMMENDED HE TRY TO COME IN ABOUT TWO WEEKS TIME IF POSSIBLE. SADAT WILL ALSO DISCUSS HIS ECONOMIC PROBLEMS WITH KING KHALID AND PRINCE FAHD THIS COMING WEEK IN RIYADH AND WILL INDICATE US ANXIOUS WORK WITH SAG TO ASSIST. SOVIET ECONOMIC SQUEEZE AGGRAVATES PROBLEM AS DOES THIS YEAR'S SLUGGISH GLOBAL COTTON MARKET. SADAT EXPRESSED APPRECIATION FOR OUR INTEREST AND SUPPORT. END SUMMARY.

1. DURING MY MEETING WITH PRESIDENT SADAT TODAY, WHICH WAS ALSO ATTENDED BY THE NEW VICE PRESIDENT HOSNI MUBARAK, HE RAISED THE QUESTION OF EGYPT'S URGENT NEED FOR US ECONOMIC ASSISTANCE. HE RECALLED THAT HE HAD MENTIONED THIS TO VICE PRESIDENT ROCKEFELLER IN RIYADH AND ALSO TO ME PRIOR TO MY DEPARTURE TWO WEEKS AGO ON CONSULTATION. HIS LIQUIDITY

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PROBLEM, HE EMPHASIZED, IS ESPECIALLY ACUTE.

2. I ASSURED THE PRESIDENT THAT VICE PRESIDENT ROCKEFELLER HAD TAKEN HIS COMMENTS VERY SERIOUSLY AND HAD BEGUN TO LOOK INTO WHAT MIGHT BE DONE IMMEDIATELY AFTER HIS RETURN TO WASHINGTON. AS IT TRANSPIRED, THE SECRETARY HAD ALSO BEEN ACUTELY AWARE OF THIS AND HAD ALREADY INSTRUCTED UNDERSECRETARY ROBINSON (WHOM, I REMINDED THE PRESIDENT, HE HAD ALSO MET) TO GALVANIZETHE JOINT COMMISSION ARRANGEMENTS. UNDERSECRETARY ROBINSON AND HIS STAFF HAD BEEN WORKING ON WAYS AND MEANS TO DO SO, INCLUDING POSSIBLE SHORT TERM AND PROJECT HELP.IT HAD BEEN THE UNDERSECRETARY'S HOPE THAT THIS SUBJECT COULD BE DISCUSSED DURING HIS VISIT INITIALLY SCHEDULED FOR LAST WEEK. UNFORTUNATELY, THE CONCURRENT CABINET CHANGE HAD REQUIRED THE UNDERSECRETARY TO POSTPONE HIS VISIT. AFTER MY MEETING WITH FAHMY YESTERDAY, I HAD SENT A TELEGRAM SUGGESTING THAT, IF AT ALL POSSIBLE, THE UNDERSECRETARY TRY TO RESCHEDULE HIS VISIT TO EGYPT IN THE NEXT TWO WEEKS. I THOUGHT IT DESIRABLE THAT DETAILED DISCUSSION ON WHAT MIGHT BE POSSIBLE AWAIT THE UNDERSECRETARY'S VISIT.

3. THE PRESIDENT EXPRESSED HIS APPRECIATION. HE AGREED THAT LAST WEEK WAS NOT THE BEST TIME AND THAT THE NEW CABINET MINISTERS NEED TWO WEEKS TO BREAK INTO THEIR JOBS. HE HOPED, HOWEVER, THAT UNDERSECRETARY ROBINSON MAY BE ABLE TO COME IN TWO WEEKS. THE SOONER, THE BETTER.

4.THE PRESIDENT NOTED ONE OF THE PURPOSES OF HIS UPCOMING VISIT TO SAUDI ARABIA (APRIL 21) WILL BE TO DISCUSS WITH KING KHALID AND PRINCE FAHD HIS URGENT NEED FOR SAUDI ECONOMIC HELP. I RECALLED THAT THE UNDERSECRETARY HAS ALREADY BEEN IN TOUCH WITH THE SAUDIS ON THIS MATTER AND THAT IT IS HIS UNDERSTANDING THE SAUDIS ARE AGREEABLE TO DO WHAT THEY CAN. THE PRESIDENT ASKED IF HE MIGHT SAY IN RIYADH THAT THE USG IS URGENTLY LOOKING INTO HOW IT MIGHT BE ABLE TO ASSIST IN COOPERATION WITH SAUDI ARABIA IN STRENGTHENING EGYPT'S ECONOMIC SITUATION. I TOLD HIM THAT, IF IT SEEMED DESIRABLE, I SAW NO OBJECTION TO HIS MENTIONING WHAT I JUST TOLD HIM. HE EXPRESSED APPRECIATION.

5. THE PRESIDENT THEN DWELT AT SOME LENGTH ON THE SOVIET ECONOMIC SQUEEZE APPARENTLY UNDERWAY AGAINST EGYPT (SEPTTEL),
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NOTING THAT THIS AGGRAVATES HIS ECONOMIC PROBLEMS. HE REPEATEDLY EMPHASIZED THAT USG ECONOMIC HELP IS NEEDED, BOTH FOR HIS SHORT TERM LIQUIDITY PROBLEM AND FOR LONG TERM PROJECTS. AMONG OTHER THINGS HE MENTIONED THAT, BECAUSE OF THE SLUGGISH WORLD COTTON MARKET THIS YEAR, EGYPT HAS THUS FAR BEEN ABLE TO SELL ONLY HALF OF ITS COTTON CROP. FORTUNATELY, THE SHAH HAD BEEN GENEROUS AND HAD GIVEN EGYPT A LOAN OF 50 MILLION POUNDS TO TIDE IT OVER. THE UNSOLD COTTON CROP HAS, ON THE

PRESIDENT'S INSTRUCTIONS, BEEN STORED AND HE MIGHT NEED SOME US
HELP IN SELLING IT IN THE MONTHS AHEAD.FOR THE COMING YEAR
INSTRUCTIONS HAVE BEEN GIVEN TO THE FELLAHIN, THROUGH THE EGYPTIAN
MINISTRY OF AGRICULTURE, THAT MORE LAND IS TO BE PLANTED IN FOOD
AND LESS IN COTTON.

6. I REITERATED TO THE PRESIDENT OUR DESIRE TO BE HELPFUL IN
HIS ECONOMIC PROBLEMS TO THE EXTENT THAT OUR OWN CONSTITUTIONAL
PROCESSES AND AVAILABLE RESOURCES PERMIT. I CAUTIONED, HOWEVER,
THAT AMERICAN COTTON FARMERS ARE EXPERIENCING THE SAME SUGGISH
GLOBAL COTTON MARKET AND THAT THE PROBLEM OF INABILITY TO SELL
COTTON SEEMS TO BE AFFECTING BOTH OF OUR COUNTRIES.

7. THE PRESIDNT EXPRESSED HIS APPRECIATION FOR OUR INTEREST
AND SAID HE LOOKS FORWARD TO MEETING WITH UNDERSECRETARY
ROBINSON WHEN THE LATTER COMES. HE GAVE VP MUBARAK
INSTRUCTIONS TO INFORM THE ECONOMIC MINISTERS IN THE NEW
CABINET OF THIS ASPECT OF OUR DISCUSSION.
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